Annual Report
1988-89

University of Regina, and University of Saskatchewan

90-03453/

To the Honourable Sylvia Fedoruk
Lieutenant Governor of the Province of Saskatchewan

Your Honour:

I have the honour to submit for your consideration the Financial Statements of the University of Regina and the University of Saskatchewan for the year ending April 30, 1989.

Respectfully submitted,

Ray Meiklejohn

The Honourable Ray Meiklejohn
Minister of Education

THE UNIVERSITY OF REGINA

FINANCIAL STATEMENTS

Year Ended April 30, 1989

OFFICE OF THE PROVINCIAL AUDITOR

REGINA, SASKATCHEWAN

UNIVERSITY OF REGINA

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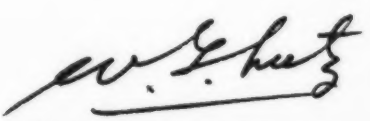
AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of The University of Regina as at April 30, 1989, and the statements of changes in fund balances and equity in fixed assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of The University of Regina as at April 30, 1989, and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied, after giving retroactive effect to the change in its accounting policy for fixed assets as explained in Note 2(a) to the financial statements, and except for the change in accounting policy for interfund transfers as explained in Note 2(b) to the financial statements, on a basis consistent with that of the preceding year.



Regina, Saskatchewan
August 23, 1989

W. G. Lutz, F.C.A.
Provincial Auditor

UNIVERSITY OF REGINA

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1989

1. Summary of Significant Accounting Policies and Reporting Practices

(a) General

The statements have been prepared in accordance with the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada" approved by the Canadian Association of University Business Officers (CAUBO) and commended for use by the Association of Universities and Colleges of Canada to its members.

(b) Fixed Assets

The Guide indicates that fixed assets should be capitalized, depreciation should not be recorded, and donated assets should be recorded at their fair market value.

Expenditures for sites and improvements, buildings, furnishings and equipment, and library holdings are recorded as assets (at cost) on the Statement of Financial Position with a corresponding entry to Equity in Fixed Assets.

Donated assets are similarly reported at fair market value when acquired by the University.

The furnishings and equipment policy assumes a useful life of nine years (eight years plus the current year). Therefore, items recorded as assets nine years previously are removed from the asset account and Equity in Fixed Asset account. Disposals or withdrawals (superseded, poor condition, irrelevancy, lost and stolen) of library holdings are calculated at 3/4 of one percent of the net capitalized value of library holdings at the end of the preceding year.

Buildings, sites and improvements are permanent in nature and therefore dispositions will not normally occur.

(c) Depreciation Expense

An exception to the Guide remains to permit the University's desired reporting practice for Ancillary Enterprises. Depreciation expense (1989 - $126,156; 1988 - $124,082) is charged on fixed assets related to the Ancillary Enterprises

Fund only. It is included in ancillary expenditures in the Statement of Changes in Fund Balances.

(d) Fund Accounting

The accounts of the University are maintained in accordance with the principles of "fund accounting" to permit the observation of limitations and restrictions placed on the use of available resources. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives. Separate accounts are maintained for the Capital Fund, Trust and Endowment Funds and Operating Fund. The Operating Fund is further classified as General Operating, Ancillary Enterprises, Research, Sundry Projects, and Student Assistance. The Trust and Endowment Funds are further classified into Expendable and Non-expendable. Expendable fund balances may be used in their entirety within the restrictions established by the provider of the funds. Non-expendable fund balances represent a revenue generating source. Restrictions placed on the fund by the original provider preclude the original fund balance from being spent.

(e) Ancillary Enterprises

The University operates five Ancillary Enterprises: Bookstore, College West Residence, Duplicating Services, Food Services and Parking.

Ancillary Enterprises operate on a fee-for-service basis and must be self funding. Charges to departments and related organizations are excluded from the expenses of the department and from the revenue of the Ancillary Enterprise. Instead, they are included in interfund transfers on the Statement of Changes in Fund Balances.

(f) Investments

i) Fixed income securities (bonds) are recorded at par value. Any discount or premium is included in revenue in the year of purchase.

ii) Shares of stock acquired by purchase are recorded at cost. Shares of stock acquired other than by purchase are recorded at their market value on tne date of acquisition.

iii) Sentinels (stripped bonds) and coupons are recorded at par value less unamortized discount. The related discounts are amortized into income over the period to maturity.

iv) Gains or losses on disposal are recorded in the year of disposal.

(g) Accrual Accounting

The University utilizes the accrual basis of accounting for additions to, and deductions from, fund balances except that vacation pay is not accrued.

(h) Inventories

Inventories are valued at the lower of cost and net realizable value which is principally determined by the first in, first out method. Year end inventories are detailed below.

Department	April 30, 1989	April 30, 1988
Bookstore	$ 854,824	919,443
Physical Plant	322,066	335,134
Science Stores and Shops	108,651	109,543
Duplicating Services	66,490	66,545
Food Services	50,462	31,450
Art Gallery Shop	46,896	41,472
Post Office	13,891	13,108
	$1,463,280	1,516,695

2. Changes in Accounting Policy

(a) Fixed Assets

The CAUBO Guide provided until 1989 for the recommendation regarding fixed assets to be implemented. The University of Regina's policy regarding the accounting for the capitalization and disposal of furnishings and equipment, and library holdings was changed during the year. In prior years fixed asset purchases, other than in the Capital and Ancillary Enterprises Funds were not capitalized but were reflected as expenditures in the Statement of Changes in Fund Balances. Acquisitions of library books and periodicals had not been capitalized in the past. In order to comply with the Guide, the University of Regina now follows the policy as disclosed in Note 1(b) to the financial statements.

These financial statements have been prepared giving retroactive effect to this policy.

The effect of the change on the financial statements is as follows:

	1989	1988
Increases to the opening balance of fixed assets	$21,768,741	17,782,564
Increases to additions of		
- furnishings and equipment	6,615,073	1,624,000
- library holdings	1,450,308	3,272,575
Increases to reductions of		
- furnishings and equipment	1,498,000	814,000
- library holdings	120,220	96,398
Increases to the ending balance of fixed assets	28,215,902	21,768,741
Increases in Equity in Fixed Assets	28,215,902	21,768,741

(b) Interfund Transfers

Beginning in 1989, interfund charges to departments are excluded from the expenses of departments and ancillary revenues. They are now classified as "interfund transfers" on the Statement of Changes in Fund Balances. This change in accounting policy has not been applied retroactively since the amounts for previous years are not readily determinable.

3. Operating and Capital Funding

a) Operating Grants

The Province of Saskatchewan provided the University with operating grants totalling $40,646,600 (1988 - $39,619,192).

b) Capital Project Financing Arrangements

(i) Funding for the construction of the Language Training Institute building is being provided by the Federal Government through the Province of Saskatchewan pursuant to an agreement between the Governments of Canada and Saskatchewan. During the year $2,000,000 was received by the Capital Fund of which $75,320 had been expended. At April 30, 1989, $1,924,680, committed to the construction of the Language Training Institute building, is included in the total Capital Fund Fund Balance of $2,767,033.

(ii) Funding for other capital projects is arranged through an agreement with the Saskatchewan Property Management Corporation (SPMC) and the Province of Saskatchewan. Under the terms of the agreement, the repayment requirements of the obligation and the interest rate applicable to the funding received are determined from time to time by the Minister of Finance. The agreement states that the obligation of the University is limited to an amount equal to the funds received from the Province for this repayment purpose and also provides for the repayment of these funds by the Province directly to SPMC on behalf of the University. Due to the nature of this arrangement, no liability is recorded in the financial statements of the University. Loan proceeds from SPMC are recorded as capital grants in the year in which they are received/receivable.

The balance of loans outstanding including accrued interest with respect to this financing arrangement at April 30, 1989 was $15,835,180 (April 30, 1988 - $12,256,014).

4. Long Term Liability

A 7 1/4% debenture for $2,080,000 was issued to the Canada Mortgage and Housing Corporation for the construction of the College West Residence Building. The debenture is repayable in equal semi-annual payments over 50 years. A total repayment of $155,210 of blended principal and interest is required each year commencing June 30, 1975 and maturing December 31, 2024. This payment is provided for as a charge to College West Residence Operations. Issue of the debenture was authorized by the Lieutenant Governor in Council under Order in Council No. 871/75.

Following are details of the payments required for the next five fiscal years.

	Interest	Principal	Total
1989-90	143,040	12,170	155,210
1990-91	142,142	13,068	155,210
1991-92	141,178	14,032	155,210
1992-93	140,142	15,068	155,210
1993-94	139,030	16,180	155,210

5. Statutory Obligation

On April 1, 1962, the Wascana Centre Authority was constituted a body corporate under the Wascana Centre Act. The government of Saskatchewan, the City of Regina and the University were named as participating parties. Under this Act, the University is responsible for an annual payment to the Authority equivalent in amount to fifteen percent of the amount assessed by the City of Regina through a levy of 1.55 mills. This payment covers the University's share of the administrative and other costs of the

Authority including landscape construction which may be performed on land under the jurisdiction of the Authority. Furthermore, the University has an obligation to the Authority for the cost of landscape construction and landscape maintenance performed on University owned land. Following is information regarding payments made to the Authority as prescribed by the Act during 1988-1989:

	May 1, 1988 to April 30, 1989
Operating Fund:	
Maintenance - Authority Land	$184,236
Maintenance - University Land	377,555
	561,791
Capital Fund:	
Construction	56,400
	$618,191

6. Pension Plans

The University is responsible for the administration of two pension plans, the Non-Academic Pension Plan and the Pension Plan for the Academic and Administrative Employees of the University of Regina. Actuarial valuations are completed regularly as prescribed by statute and any unfunded pension plan liabilities are the responsibility of the University.

The Pension Plan for the Academic and Administrative Employees of The University of Regina is a defined benefit final average pension plan. An actuarial valuation performed on this plan as at December 31, 1987 indicated that, using the accrued benefit actuarial cost method, the present value of accumulated benefits resulting from services provided to the valuation date was $67,063,953. This amount less assets of $67,231,736 based on market values, resulted in an actuarial surplus of $167,783 at December 31, 1987.

The University of Regina Non-Academic Pension Plan is also a defined benefit final average pension plan. An actuarial valuation performed on this Plan as at January 1, 1987 indicated that, using the accrued benefit actuarial cost method, the present value of accumulated benefits resulting from services provided to the valuation date was $11,141,373. This amount less assets of $12,945,030 based on book values partially adjusted for market values, resulted in an actuarial surplus of $1,803,657 at January 1, 1987.

The University records as pension expense its contributions to the Pension Funds which are in amounts that have been recommended by the actuaries.

7. Interfund Borrowing and Transfers

Periodically, the Operating Fund borrows from the Capital Fund. At the beginning of the year the Operating Fund owed $3,000,000 to the Capital Fund; during the year $2,000,000 was repaid leaving a balance of $1,000,000 at April 30, 1989. At April 30, 1989 accrued interest of $97,500 was owing by the Operating Fund to the Capital fund. $163,479 in interest was paid during the year to the Capital Fund, therefore a total of $260,979 is included as an interfund transfer.

8. Comparative Figures

Certain figures for the previous year have been reclassified in order to make the financial statements comparative.

STATEMENT 1

UNIVERSITY OF REGINA
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 1989
(With comparative figures as at April 30, 1988)

	1989	1988
Assets		
Cash less bank overdraft and outstanding cheques	$	67,396
Receivables:		
General	2,122,099	1,949,938
Research and Special Accounts	72,851	129,433
Accrued Interest	205,949	184,813
Loans	86,791	94,671
Prepaid Expenses	208,424	156,664
Inventories (Note 1(h))	1,463,280	1,516,695
Investments (Note 1(f)) (Market value 1989 - $10,383,087 Market value 1988 - $7,587,363)	10,468,691	7,589,414
	14,628,085	11,689,024
Fixed Assets: (Notes 1(b),1(c),2(a))		
Buildings	51,984,341	47,270,636
Sites and improvements	4,918,659	4,895,030
Furnishings and equipment	19,976,849	17,756,676
Library holdings	17,359,388	16,029,300
Parking lot development	416,719	468,349
	94,655,956	86,419,991
	$ 109,284,041	98,109,015
Liabilities, Fund Balances and Equity		
Bank overdraft less cash and outstanding cheques	$ 1,210,556	-
Accounts payable	3,346,105	3,367,755
Deferred income	281,476	188,222
Debenture payable (Note 4)	1,975,964	1,987,297
	6,814,101	5,543,274
Fund Balances: (Statement 2)		
General operating	(6,791,459)	(5,850,012)
Ancillary Enterprises	2,211,487	1,798,608
Capital	2,767,033	3,100,609
Trust and Endowment (Note 1(d))		
Expendable	4,919,078	4,335,527
Non-expendable	3,286,164	3,013,242
Research, sundry projects and student assistance	4,046,306	2,449,100
	10,438,609	8,847,074
Equity in fixed assets (Statement 3)	92,031,331	83,718,667
	$ 109,284,041	98,109,015

On Behalf of the Board of Governors

(See accompanying notes to financial statements)

UNIVERSITY OF REGINA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 1989
(With comparative figures for the year ended April 30, 1988)

STATEMENT 2

	Operating Fund					Capital Fund	Trust and Endowment Fund			
	General Operating	Ancillary Enterprises	Research	Sundry Projects	Student Assistance		Expendable	Non-Expendable	Total 1989	Total 1988
Additions										
Provincial Government Grants	$ 40,646,600		207,000	708,049	430,000	2,056,400			44,048,049	39,675,592
Financing from Saskatchewan Property Management Corp.						5,113,000			5,113,000	5,883,000
Student academic fees	9,683,173								9,683,173	9,005,942
Investment income	258,209	114,088				115,539	879,216	17,032	1,384,084	852,518
Contributions and donations			2,723,774	3,682,198	1,034,541		388,686	270,693	8,099,892	7,577,593
Miscellaneous income	610,902								610,902	484,461
Ancillary Enterprises Income		5,513,626							5,513,626	6,016,737
	51,198,884	5,627,714	2,930,774	4,390,247	1,464,541	7,284,939	1,267,902	287,725	74,452,726	69,495,843
Deductions										
Instruction and public service	39,528,106								39,528,106	38,111,938
Administration	3,919,139						560,751	14,703	4,494,593	4,376,725
Physical Plant	7,222,552								7,222,552	7,181,699
Student and miscellaneous services	662,096								662,096	640,897
Research, sundry projects, and student assistance			2,533,143	3,093,432	1,266,509				6,893,084	6,221,474
Ancillary Enterprises Expenditures		5,902,356							5,902,356	5,395,898
Sites and improvements						23,629			23,629	47,795
Buildings						4,713,705			4,713,705	2,063,795
Equipment						3,142,160			3,142,160	725,232
Grants and awards							123,600	100	123,700	87,309
Debt repayment		155,210							155,210	155,210
	51,331,893	6,057,566	2,533,143	3,093,432	1,266,509	7,879,494	684,351	14,803	72,861,191	65,007,972
Increase (Decrease) to Fund Balances before Interfund Transfers	(133,009)	(429,852)	397,631	1,296,815	198,032	(594,555)	583,551	272,922	1,591,535	4,487,871
Interfund transfers	(808,438)	842,731	(55,586)	(239,686)		260,979				
Net additions (deductions)	(941,447)	412,879	342,045	1,057,129	198,032	(333,576)	583,551	272,922	1,591,535	4,487,871
Fund balances beginning of year	(5,850,012)	1,798,608	716,553	1,647,634	84,913	3,100,609	4,335,527	3,013,242	8,847,074	4,359,203
Fund balances end of year	$ (6,791,459)	2,211,487	1,058,598	2,704,763	282,945	2,767,033	4,919,078	3,286,164	10,438,609	8,847,074

(See accompanying notes to financial statements)

STATEMENT 3

UNIVERSITY OF REGINA
STATEMENT OF EQUITY IN FIXED ASSETS
FOR THE YEAR ENDED APRIL 30, 1989
(With comparative figures for the year ended April 30, 1988)

	1989	1988
Additions		
Expenditures on fixed assets:		
Sites and improvements	$ 23,629	47,795
Buildings	4,713,705	2,063,795
Equipment	4,914,909	2,349,232
Library acquisitions	1,450,308	3,272,575
Repayment principal - C.M.H.C. Debenture	11,333	10,554
	11,113,884	7,743,951
Reductions		
Write down of fixed assets:		
Equipment	1,498,000	814,000
Library holdings	120,220	96,398
Disposals of equipment	1,183,000	
	2,801,220	910,398
Balance beginning of year	83,718,667	76,885,114
Balance end of year	$ 92,031,331	83,718,667

(See accompanying notes to financial statements)

THE UNIVERSITY OF SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended April 30, 1989

THE UNIVERSITY OF SASKATCHEWAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 1989

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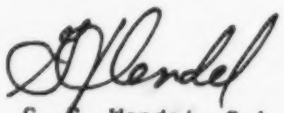
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have examined the combined balance sheet of The University of Saskatchewan as at April 30, 1989 and the statements of changes in appropriated-allocated fund balances, changes in appropriated-unallocated and restricted fund balances, changes in endowment principal fund balance, and changes in equity in plant assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of The University of Saskatchewan as at April 30, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied, after giving retroactive effect to the change in the method of accounting for fixed assets as explained in Note 2(a) and the method of accounting for sponsored research revenue as explained in Note 2(b), on a basis consistent with that of the preceding year.



Regina, Saskatchewan
October 13, 1989

G. F. Wendel, C.A.
A/Provincial Auditor

THE UNIVERSITY OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

April 30, 1989

1. Summary of Significant Accounting Policies and Reporting Practices

a) General

These financial statements have been prepared in accordance with accounting principles for Universities as described in the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers (CAUBO) and commended for use by the Association of Universities and Colleges of Canada (AUCC) to its members.

b) Fund Accounting

Transactions of the University are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenues and their related expenses are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the University and determinations made by the Board of Governors.

For financial statement reporting purposes the Balance Sheet combines the assets, liabilities and fund balances of all funds.

The statements of changes in fund balances show the total income and expenses of the University, after elimination of inter-fund transactions. The University has classified accounts with similar characteristics into major funds as follows:

- the General Operating Fund consists of those revenues and expenses used in the general operations of the University.

- the Sponsored Research Fund consists of grant and contract revenues and expenses specifically identified for research or related activities as approved by government granting agencies, research institutes and other public and private organizations.

- the Specific Purpose and Trust Fund consists of those revenues and expenses used for projects and purposes stipulated by the donors and contributors, including scholarships, bursaries, student loans, special research fellowships and awards, clinical practice plan and clinical services funding.

- Ancillary Enterprises provide goods and services to the University community and are expected to operate on a break-even basis. Any deficits must be recovered from future operations and unexpended balances are carried forward for replacement and upgrading of facilities in these ancillary operations. In accordance with the CAUBO guidelines this group of enterprises includes the Bookstore, Food Services, Parking, Student Residences and Vending Services. These enterprises are assessed most overhead costs associated with their operations including payments of principal and interest on all long-term debt.

- the Capital Fund consists of grants, gifts, interest and authorized capital borrowings received for the purpose of acquiring capital assets including those pertaining to ancillary enterprises. These funds may also be used for major renovations, alterations and equipment acquisitions.

- the Endowment Principal Fund consists of gifts and bequests received with the stipulation that these funds be invested and the income earned be utilized for designated purposes.

c) **Accrual Accounting**

The University utilizes the accrual basis of accounting for additions to and deductions from fund balances except that no provision is made in the financial statements for depreciation on plant assets or for accrued vacation pay.

d) **Appropriations**

The University implemented in 1984-85 a general operating budget program approved by the Board of Governors which allows budget units to carry forward unexpended funds into the subsequent fiscal year. In addition the University has established appropriations for future expenditures of a specific or major nature and to make provision for certain unexpended allocations.

e) **Inventories**

Inventories of materials and supplies are valued at the lower of cost and net realizable value which is principally determined by the first in first out method. Feedlot cattle are stated at market value and all other inventories of livestock held primarily as experimental animals are valued at the lower of cost or market value.

f) **Prepaid Expenses**

The University acquired in 1984-85 a new SL-1 Telephone system from Sask-Tel by lump sum prepayment of rental charges for the particular equipment. This prepayment, with interest, is being expensed by annual charge to General Operations over a ten year period. The remaining prepaid balance at year end is $1,296,692 (April 30, 1988 - $1,403,192).

g) **Deferred Costs**

The University sets up deferred costs to account for fixed assets acquired by both the Operating Fund and Ancillary Enterprises by means of internal cash loans from operating funds. Internal loans of this nature occur when it is advantageous for the University to use its own cash resources rather than borrowing or leasing from outside parties.

Deferred costs outstanding at April 30, 1989 and their methods of amortization are as follows:

		1989	1988
i)	Parking development costs, including Capital Costs for both Reserved Parking and Visitor and Pay Parking - amortized against the Parking Ancillary Enterprise revenues on the basis of the estimated useful life of the particular assets.	$945,323	$727,183
ii)	Vending Machines and Food Services Equipment - amortized by annual charge, with interest, to Ancillary Enterprise operations over period established for each transaction, not exceeding the estimated useful life of the equipment acquired.	5,037	11,256
iii)	Academic Computing and Printing Services Equipment - amortized by annual charge, with interest, to General operations over period established for each transaction, not exceeding the estimated useful life of the equipment acquired.	--	9,528
		$950,360	$747,967

h) **Investments**

Investments purchased are recorded at cost; investments received by bequest or gift are recorded at market value at the date of acquisition. The difference between the cost and the par value of bonds purchased is not amortized but is treated as income or expense in the year of disposal.

i) **Investment in Subsidiary Companies**

Systems Enterprise Developments Ltd., a company continued under The Saskatchewan Business Corporations Act (1977) is a wholly-owned subsidiary and holding company of the University. The corporation qualifies as a tax exempt organization under Section 149 of The Income Tax Act. The company's major assets consist of cash and short-term investments, these being the proceeds from the company's disposal during the 1986-87 year of its minority equity investment in SED Systems Inc.

Biostar Inc. was incorporated under the Canada Business Corporations Act on February 16, 1983. The company was established with the mandate to conduct research, development, testing, production and marketing of animal and poultry health care products and technology. The University's investment in this taxable Canadian corporation consists of a controlling interest in the voting share capital of the company.

The University does not consider it appropriate to consolidate the accounts of these two subsidiary companies with those of the University of Saskatchewan and accordingly the University accounts for its investments in accordance with the equity method.

The investment and related equity account are summarized as follows:

	1989	1988
Investment Account		
Systems Enterprise Developments Ltd.		
- Carrying Value of Investment in shares	$1,821,568	$1,769,022
Biostar Inc.		
- Carrying Value of Investment in shares	369,747	420,595
	$2,191,315	$2,189,617
Equity Account		
Systems Enterprise Developments Ltd.		
- Balance - beginning of year	$1,397,359	$1,261,334
- Equity gain during year	52,546	136,025
Balance - end of year	$1,449,905	$1,397,359
Biostar Inc.		
- Balance - beginning of year	418,818	375,176
- Equity gain (loss) during year	(50,848)	43,642
Balance - end of year	367,970	418,818
	$1,817,875	$1,816,177

j) **Plant Assets**

The CAUBO guidelines indicate that all plant assets including library acquisitions should be capitalized regardless of the source of funds or the means of acquisition of the plant assets, depreciation should not be recorded, and donated assets should be recorded at their fair market value.

Expenditures by the University of Saskatchewan for the acquisition of new properties, constructing of new buildings, rehabilitating existing buildings, initially equipping these new and rehabilitated buildings, acquiring certain additional or replacement equipment and for library acquisitions are recorded in the Statement of Changes in Appropriated-Unallocated and Restricted Fund Balances (Statement 3) in the year in which they are incurred and then capitalized on the Balance Sheet as Plant Assets with a corresponding entry to Equity in Plant Assets. No depreciation is recorded.

Donated assets are similarly reported at fair market value when acquired by the University.

The University's policy on capitalization of fixed assets assumes an average useful life for furnishings and equipment of nine years (eight plus the current year). Therefore, items recorded as assets nine years previously are removed from the Plant Asset Account and Equity in Plant Assets Account. A provision for the value of items removed from the library collection by disposals or withdrawals (superseded, poor condition, irrelevancy, lost or stolen) calculated at 3/4 of one percent of the net capitalized value of library holdings at the end of the preceding year is recorded as a deduction within the Capital Fund.

Buildings, and land, and site improvements are permanent in nature and therefore dispositions will not normally occur.

k) **Donation Pledges**

Donations are recorded as revenue only in the fiscal period in which they are received. Pledges receivable are not recorded as assets in these financial statements.

2. **Changes in Accounting Policy and Statement Presentation**

a) **Fixed Assets**

The CAUBO guidelines provided until 1989 for the recommendation regarding fixed assets to be implemented. The University of Saskatchewan's policy regarding the accounting for the capitalization and disposal of furnishings and equipment, and library holdings was changed during the year. In prior years fixed asset purchases, other than the Capital Fund were not capitalized but were reflected as expenditures in the Statement of Changes in Appropriated-Unallocated and Restricted Fund Balances. Acquisitions of library books and periodicals had not been capitalized in the past. In order to comply with the Guide, the University of Saskatchewan now follows the policy as disclosed in Note 1(j) to the financial statements.

These financial statements have been prepared giving retroactive effect to this policy, and the effect of the change on the financial statements is as follows:

	1989	1988
Increases to the opening balance of fixed assets	$ 75,531,034	$ 68,612,731
Increases to additions of		
- furnishings and equipment	8,929,443	8,691,000
- library holdings	3,542,070	3,547,933
Increases to disposals of		
- furnishings and equipment	5,098,000	5,108,000
- library holdings	237,645	212,630
Increases to the ending balance of fixed assets	$ 82,666,902	$ 75,531,034
Increase to equity in plant assets	$ 82,666,902	$ 75,531,034

b) Sponsored Research

During the year, the University redefined its accounting policies and procedures for the accrual of revenues receivable pertaining to sponsored research projects in progress as at year end. These financial statements have been presented according to the new definitions which prescribe that at year end, expenditures incurred on research projects prior to receipt of the grant or contract funding be recorded as an account receivable. Previously these accounts were recorded on the cash basis of accounting.

The impact of this accounting change, which has been applied retroactively is to decrease revenues from sponsored research by $409,582 in 1989 (increase by $273,164 in 1988) and to increase the Sponsored Research Fund balance as at April 30, 1989 by $1,834,464 (April 30, 1988 - $2,244,046).

3. Long-Term Debt	1989	1988
a) Canada Mortgage and Housing Corp. - 6 7/8% Debentures due May 1, December 1, 2020	$3,146,869	$3,174,632

This liability represents the remaining principal balance payable on two loans totalling $3,450,000 originally borrowed from Canada Mortgage and Housing Corporation in 1970 to finance construction of the McEown Park Student Housing Complex.

These loans are repayable in equal semi-annual instalments of blended principal and interest over 50 years. The total annual payments of $245,550 are recovered in their entirety from the operating revenues of the Student Residences.

b) Province of Saskatchewan - 9.14% Loan due January 5, 1996	653,620	793,636

This liability represents the net balance payable, after deduction of equity in a related Sinking Fund of $1,086,380 at April 30, 1989 (April 30, 1988 - $946,364) on a loan of $1,740,000 originally borrowed from the Saskatchewan Universities Commission in 1976 to finance construction of an additional (fourth) high-rise apartment building within the McEown Park Student Housing Complex.

Upon repeal of The Universities Commission Act, 1974 this asset of the Saskatchewan Universities Commission was assumed by the Crown.

The terms of the loan require payment on a semi-annual basis, of the periodic interest due on the principal sum borrowed plus the payment of an annual instalment to the Province of Saskatchewan for investment in a Government administered Sinking Fund established to provide for repayment of the loan principal on maturity date. These payments totalling $193,836 per year are recovered in their entirety from the operating revenues of the Student Residences.

Over the next five years the annual payment by the University to the Province for investment in the form of sinking fund instalment will amount to $34,800 per year.

c) Due to Province of Saskatchewan	485,640	493,846

As part of the original arrangements for repayment of a loan to Canada Mortgage and Housing Corporation, it was agreed that $600,000 of the principal portion due would be recovered from the University of Saskatchewan by charges to the Residence and Food Service operations of $33,410 per year.

The balance of this loan which was previously payable to the Saskatchewan Universities Commission is now payable to the Provincial Government.

	$4,286,129	$4,462,114

4. **Pension Funds**

The University is responsible for the administration of two pension plans, the Academic Pension Plan and the Non-Academic Pension Plan, both of which are defined benefit final average pension plans. Actuarial valuations are completed regularly as prescribed by statute and any unfunded pension plan liabilities are the responsibility of the University.

a) **Academic Pension Plan**

An actuarial valuation of the Pension Plan for the Academic Employees of the University of Saskatchewan as at December 31, 1987 indicates that the fund is in a very strong position to meet its statutory obligations with an accrued surplus of $26.0 million.

On the advice of the Actuary, and with the approval of the University the accrued surplus is held in established reserve balances in the fund in accordance with the requirements of the terms of the plan.

b) **Non-Academic Pension Plan**

An actuarial valuation of the Non-Academic Pension Plan as at January 1, 1987 indicates that the plan has an unallocated surplus of $3,410,618. In addition, an allocated surplus of $1,458,083 is held in a contribution stabilization reserve.

On the advice of the Actuary, and with the approval of the University the previously unallocated surplus has been allocated to establish a contingency reserve and to fund membership preferred plan improvements effective January 1, 1989.

5. **Capital Commitments**

The estimated costs of contractual commitments to complete major capital projects in progress as at April 30, 1989 is approximately $54,060,176 (April 30, 1988 - $4,442,649).

6. **Capital Project Financing Arrangements**

Funding for Capital projects is arranged through an agreement with the Saskatchewan Property Management Corporation (SPMC) and the Province of Saskatchewan. Under the terms of the agreement, the repayment requirements of the obligation and the interest rate applicable to the funding received are determined from time to time by the Minister of Finance. The agreement states that the obligation of the University of Saskatchewan is limited to an amount equal to the funds received from the Province for this repayment purpose and also provides for the repayment of these funds by the Province directly to SPMC on behalf of the University of Saskatchewan. Due to the nature of this arrangement, no liability is recorded in the financial statements of the University of Saskatchewan. Loan proceeds from SPMC are recorded as Capital grants in the year in which they are received/receivable.

The balance of loans outstanding including accrued interest with respect to this financing arrangement April 30, 1989 was $71,978,292 (April 30, 1988 - $56,607,209).

7. **Long Term Receivable**

This receivable from the City of Saskatoon in the amount of $1,105,000 as at April 30, 1989 (April 30, 1988 - $1,905,000) represents the remaining balance due from the City relating to sale of land in the 1986-87 year. The remaining balance is to be received in annual amounts of $400,000 on April 30, 1990 to 1991, and $305,000 on April 30, 1992.

The University Board of Governors has authorized that the proceeds from this land sale be available, as required, to fund approved remedial costs associated with the closure and decommissioning of the University disposal site, and to fund approved costs associated with the establishment of a Waste Management Facility.

8. Statutory Obligations

Under the provisions of The Meewasin Valley Authority Act, the Meewasin Valley Authority is constituted as a body corporate, and the Government of Saskatchewan, the City of Saskatoon and the University of Saskatchewan were named as participating parties.

In accordance with the provisions of the Act, the University is responsible for an annual payment to the Authority of a sum equivalent to twenty-nine and one-third percent of an amount determined by application of a levy of four mills on the City of Saskatoon assessments of lands and buildings in the 1983 taxation year together with an increase of three percent of that assessment compounded annually. The Government of Saskatchewan has enacted amendments to the Meewasin Valley Authority Act which prescribe that the University's 1989-90 statutory obligation for contribution to the Authority will be equal to the amount paid by the participating parties in the 1988-89 year which in the case of the University is $604,096 (April 30, 1988 - $604,096).

9. Industrial Relations

The Collective Agreement between The University of Saskatchewan and The University of Saskatchewan Faculty Association expired on June 30, 1987.

Terms for a new contract as embodied in a proposal recommended to both parties by a jointly selected private mediator were ratified by the University's Board of Governors on September 6, 1989 and forwarded to The University of Saskatchewan Faculty Association for consideration and ratification by the membership.

A liability in the amount of $4,721,999 has been recorded in the financial statements to reflect the estimated accrued costs to April 30, 1989 associated with the settlement of this collective agreement.

In addition, appropriations have been established for the funding of the estimated cost of certain non-salary provisions contained in the agreement.

10. Pledges Receivable

The estimated realizable value of donations which have been pledged but not received as at April 30, 1989 was $6,288,116 (April 30, 1988 - $6,028,880). These pledges are expected to be honored during the subsequent five year period.

THE UNIVERSITY OF SASKATCHEWAN

Combined Balance Sheet

As at April 30, 1989

(thousands of dollars)

ASSETS	1989	1988
Cash and short term investments	$ 63,055	$ 53,086
Accrued interest receivable	1,500	1,189
Accounts and loans receivable	10,097	11,249
Accounts receivable - Province of Saskatchewan (Note 6)		3,200
Inventories (Note 1 (e))	4,687	4,583
Prepaid expenses (Note 1 (f))	1,906	1,957
Deferred costs (Note 1 (g))	950	748
Long term receivable (Note 7)	1,105	1,905
Long term investments (market value - $24,185; 1988 - $21,977) (Note 1 (h))	22,803	20,874
Investment in subsidiary companies (Note 1 (i))	2,191	2,190
Other assets	408	320
Plant assets (Note 1 (j))		
Land and site improvements	18,029	15,730
Buildings	224,073	209,498
Equipment and furnishings	95,648	86,763
Library holdings	34,991	31,686
	$481,443	$444,978

LIABILITIES AND FUND BALANCES	1989	1988
Accounts payable and accrued liabilities	$17,441	$13,669
Accounts payable for contractors holdbacks	604	240
Unearned fees and other deferred revenue	608	876
Long-term debt (Note 3)	4,286	4,462
Fund balances		
Appropriated		
Allocated (Statement 2)		
General operating	5,729	9,230
Ancillary enterprises	838	891
Capital	3,362	6,231
Unallocated (Statement 3)		
Ancillary enterprises	4,515	4,160
Capital	421	299
Restricted (Statement 3)		
Sponsored research	12,037	10,141
Specific purpose and trust	46,103	39,493
Non-expendable (Statement 4)		
Endowment principal fund balance	15,226	14,255
Equity in plant assets (Statement 5)	368,455	339,215
Equity in subsidiary companies (Note 1 (i))	1,818	1,816
	$481,443	$444,978

The accompanying notes form an integral part of these Financial Statements.

Approved by the Board of Governors

_____
Chairman, Board of Governors

_____
Vice-President (Administration)

THE UNIVERSITY OF SASKATCHEWAN

Statement of Changes in Appropriated-Allocated Fund Balances

For the Year Ended April 30, 1989

(thousands of dollars)

	General Operating		Ancillary Enterprises		Capital	
	1989	1988	1989	1988	1989	1988
Fund balance, beginning of year	$ 9,230	$10,559	$ 891	$ 801	$ 6,231	$ 6,427
Released from prior year's appropriation (Statement 3)	(4,175)	(4,706)	(220)	(68)	(6,231)	(6,427)
Appropriations for the year (Statement 3)	674	3,377	167	158	3,362	6,231
Fund balance, end of year (Statement 1)	$ 5,729	$ 9,230	$ 838	$ 891	$ 3,362	$ 6,231
Detail of appropriated-allocated fund balance at end of year						
Purchase order commitments carried forward	$ 1,101	$ 1,011	$	$	$	$
Equalization of group insurance premiums reserve	98	93				
Non-academic dental plan claims reserve	56	77				
College/departmental appropriations carried forward	1,862	3,027				
Provision for authorized specific expenditures						
-A.S.P.A. dental plan	6					
-Equalization of insurance premiums		29				
-Faculty accountable professional expense accounts	867	599				
-Faculty salaries withheld	934	983				
-Faculty staff travel fund	107	86				
-Office of Research Services		100				
-Sabbatical leave grants	54					
-Salary contract settlements	99	894				
-Student information system		90				
-Student summer employment program	200	250				
Provision for the replacement of equipment, furnishings and facilities	383	383	838	891		
Operating reserve	(38)	1,608				
Provision for authorized capital projects					3,362	6,231
	$ 5,729	$ 9,230	$ 838	$ 891	$ 3,362	$ 6,231

The accompanying notes form an integral part of these Financial Statements

THE UNIVERSITY OF SASKATCHEWAN

Statement of Changes in Appropriated-Unallocated and Restricted Fund Balances

For the Year Ended April 30, 1989

(thousands of dollars)

	General Operating		Sponsored Research		Specific Purpose and Trust		Ancillary Enterprises		Capital		Totals	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
REVENUE AND OTHER ADDITIONS												
Government grants and contracts												
Government of Canada	$	$	$ 19,496	$ 17,525	$ 2,649	$ 1,434	$	$	$	$	$ 22,145	$ 18,959
Province of Saskatchewan	106,547	104,530	9,486	8,855	7,752	7,459			18,299	18,926	142,084	139,770
Other	2,491	2,594	662	98	862	905					4,015	3,597
Student fees	20,284	18,977			494	511					20,778	19,488
Gifts, grants and bequests			5,717	5,484	6,876	8,350					12,593	13,834
Sales of services and products							14,272	13,679			14,272	13,679
Income from investments	3,948	3,029		102	5,023	3,510	89	80	403	350	9,463	7,071
Miscellaneous income	319	346	81	50	781	462			404	759	1,585	1,617
	$133,589	129,476	$35,442	$32,114	$24,437	$22,631	14,361	13,759	19,106	20,035	$226,935	$218,015
EXPENDITURE AND OTHER DEDUCTIONS												
Salaries-academic ranks	62,828	57,270	188	223	11,106	11,065					74,122	68,558
-student	1,611	1,504	3,969	3,535	6,863	6,968					12,443	12,007
-other support staff	35,719	35,407	14,681	14,916	15,850	15,057	3,504	3,260			69,754	68,640
Employee benefits	11,178	10,857	1,136	1,127	1,855	1,635	322	312			14,491	13,931
Travel and field trips	1,668	1,553	2,119	1,978	2,458	2,417	12	15			6,257	5,963
Library acquisitions	3,484	3,444	27	26	231	209					3,742	3,679
Operational supplies and expenses	9,077	8,958	7,523	6,680	4,900	5,039	418	407	165	169	22,083	21,253
Equipment and furnishings	2,506	3,446	3,509	3,496	2,089	1,617	541	393	5,054	5,551	13,699	14,503
Equipment rental and maintenance	3,728	3,660	711	533	90	361	381	248			4,910	4,802
Renovations and alterations	3,502	3,491			172	96	488	467			4,162	4,054
Utilities	7,847	7,480	2	3			655	589			8,504	8,072
Space rental	339	323	19	21	624	117	127	126			1,109	587
Scholarships, bursaries and prizes					2,069	1,862					2,069	1,862
Professional fees	458	177	6	44	878	295	292	305			1,634	821
Insurance	389	488	5	4		11					394	503
Dues and memberships	171	177	8	10	632	689					811	876
Cost of goods sold							6,803	6,624			6,803	6,624
Debt servicing							473	473			473	473
Buildings						175			14,739	12,507	14,739	12,682
Land and site improvements	140	162							2,299	1,289	2,439	1,451
Meewasin Valley Authority levy									604	604	604	604
External cost recoveries	(8,492)	(8,043)	(43)	(69)	(32,373)	(31,474)					(40,908)	(39,586)
	136,153	130,354	33,860	32,527	17,444	16,139	14,016	13,219	22,861	20,120	224,334	212,359
Increase (decrease) for the year	(2,564)	(878)	1,582	(413)	6,993	6,492	345	540	(3,755)	(85)	2,601	5,656
APPROPRIATIONS-ALLOCATED (Statement 2)												
Released from prior year's appropriation	4,175	4,706					220	68	6,231	6,427	10,626	11,201
Appropriations for the year	(674)	(3,377)					(167)	(158)	(3,362)	(6,231)	(4,203)	(9,766)
Net increase (decrease) for the year	937	451	1,582	(413)	6,993	6,492	398	450	(886)	111	9,024	7,091
Fund balance, beginning of year			10,141	8,952	39,493	35,231	4,160	3,733	299	517	54,093	48,433
Interfund transfers	(937)	(451)	314	1,602	(383)	(2,230)	(43)	(23)	1,008	(329)	(41)	(1,431)
Fund balance, end of year (Statement 1)	$ -	$ -	$ 12,037	$ 10,141	$ 46,103	$ 39,493	$ 4,515	$ 4,160	$ 421	$ 299	$ 63,076	$ 54,093

The accompanying notes form an integral part of these Financial Statements

THE UNIVERSITY OF SASKATCHEWAN

Statement of Changes in Endowment Principal Fund Balance

For the Year Ended April 30, 1989

(thousands of dollars)

	1989	1988
ENDOWMENT PRINCIPAL ADDITIONS		
Gifts, grants and bequests	$ 896	$ 1,556
Income from investments	38	30
Miscellaneous income		5
Collection of doubtful accounts	2	
	$ 936	$ 1,591
ENDOWMENT PRINCIPAL DEDUCTIONS		
Operational supplies and expenses	3	
Allowance for loans doubtful of collection	2	6
Internal cost allocation	2	2
	7	8
Increase (decrease) for the year	929	1,583
Fund balance, beginning of year	14,255	11,241
Interfund transfers	42	1,431
Fund balance, end of year (Statement 1)	$15,226	$14,255

The accompanying notes form an integral part of these Financial Statements

THE UNIVERSITY OF SASKATCHEWAN

Statement of Changes in Equity in Plant Assets

For the Year Ended April 30, 1989

(thousands of dollars)

	1989	1988
EQUITY INCREASED BY		
Additions to plant assets (Statement 3)		
Land and site improvements	$2,299	$1,289
Buildings	14,739	12,507
Equipment and furnishings	5,054	5,551
	$22,092	$19,347
Plant assets provided from non-capital funds:		
General Operating:		
Equipment and furnishings	2,791	3,446
Library acquisitions	3,542	3,548
Sponsored Research:		
Equipment and furnishings	3,509	3,496
Specific Purpose and Trust:		
Buildings		175
Equipment and furnishings	2,089	1,356
Ancillary Enterprises:		
Equipment and furnishings	541	393
	12,472	12,414
Equity arising from long-term debt repayment and sinking fund instalment repayment of long-term principal -		
Canada Mortgage and Housing Corporation Debentures	28	26
Reduction of due to Province of Saskatchewan	8	8
Sinking fund instalment plus interest - Province of Saskatchewan loan - McEown Park - Unit IV	140	58
	176	92
Total increase in equity	34,740	31,853
EQUITY DECREASED BY		
Disposal of buildings	164	
Equipment and furnishings written-off according to useful life policy	5,098	5,108
Library acquisitions annual reduction adjustment	238	213
Total decrease in equity	5,500	5,321
Net increase during the year	29,240	26,532
Equity, beginning of year	339,215	244,070
Adjustment to capitalize additional equipment and furnishings and library acquisitions (Note 2)		68,613
Equity, end of year (Statement 1)	$368,455	$339,215

The accompanying notes form an integral part of these Financial Statements